

Administration proposes to exempt overseas contracts from oversight for fraud

Washington, DC - Earlier today, Rep. Peter Welch called for a full investigation into a rule proposed by the Bush administration exempting overseas contracts from oversight, calling it a "green light" to defraud the public.

"By seeking this exemption, the Bush administration is sending an unambiguous message: If you are a U.S. government contractor in Iraq, Afghanistan or elsewhere overseas, you have a green light to defraud our government and waste taxpayers' dollars," said Welch.

In November 2007, the Justice Department promulgated a rule seeking to crack down on waste, fraud, and abuse in government contracts. The rule requires contractors to report internal fraud or overpayment on government-funded projects if the abuse exceeds \$5 million. However, just before publication, the rule was modified to exempt "contracts to be performed outside the United States."

Welch sent a letter this morning to Committee on Oversight and Government Reform Chairman Henry A. Waxman and Subcommittee on Government Management, Organization, and Procurement Chairman Edolphus Towns, asking "that the Committee use all investigative tools at its disposal to quickly get to the bottom of this matter and convene a hearing as soon as possible."

Welch serves on Oversight and Government Reform as well as the subcommittee.

In his letter, Welch calls for answers to the rationale for the loophole, how the loophole was slipped into the proposed rule and by whom, and whether any outside contractors lobbied for this favorable treatment.

Over the last five years, the United States government spent more than \$100 billion in taxpayer money to rebuild Iraq and Afghanistan alone.

Today's letter is below:

March 07, 2008

The Honorable Henry A. Waxman, Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-0001

The Honorable Edolphus Towns, Chairman
Subcommittee on Government Management, Organization, and Procurement
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-0001

Dear Chairman Waxman and Chairman Towns,

Thanks to your leadership, the Committee on Oversight and Government Reform and the Subcommittee on Government Management, Organization, and Procurement have played important roles in maintaining and overseeing the proper and effective use of public resources through government contracts.

An issue has come to my attention that I believe warrants immediate action by either the full Committee or the Subcommittee.

In November 2007, the Justice Department promulgated a rule seeking to crack down on waste,

fraud and abuse in government contracts. The rule requires contractors to report internal fraud or overpayment on government-funded projects if the abuse exceeds \$5 million. Inexplicably, on the eve of publication, the rule was modified to exempt "contracts to be performed outside the United States."

At a time when the United States is engaged in wars in Iraq and Afghanistan, conducting extensive redevelopment programs in both countries, and employing the services of an unprecedented number of private contractors, granting this safe harbor for overseas contractors flies in the face of reason. By taking this action, the Department of Justice is sending an unambiguous message: If you are a U.S. government contractor in Iraq, Afghanistan or elsewhere overseas, you have a green light to defraud our government and waste taxpayers' dollars.

I urge the Committee to summon the appropriate witnesses to respond, at a minimum, to the following questions:

- 1) What is the public policy rationale for this loophole?
- 2) How does it benefit the taxpayer and at what cost?
- 3) How did this loophole get slipped into the proposed rule?
- 4) Who advocated for it?
- 5) Did any contractors or their representatives contact the Departments of Justice, Defense, State, or any other federal department or agency to request this favorable treatment? If so, who, when and which agency(s)?

I respectfully request that the Committee use all investigative tools at its disposal to quickly get to the bottom of this matter and convene a hearing as soon as possible. I look forward to working with you to address this issue.

Sincerely,

Welch calls for full investigation into Bush admin. proposal on overseas contracting

Thursday, 06 March 2008 19:00

PETER WELCH
Member of Congress